

FDIC State Profile

Fall 2005

Georgia

Growth in Georgia continues but at a moderating pace.

- Georgia's job growth continued to decelerate through mid-year 2005 as several sectors of the economy faltered (see Chart 1). In second quarter 2005, employment was up just 0.5 percent from a year earlier, less than one-third the U.S. average, and ranked among the ten worst performing states nationally. The comparative weakness of the state's recovery is underscored by the fact that employment remains below pre-recession levels, while the state's population has swelled by more than 400,000 since 2001 (see Chart 2).
- Economic growth varied significantly across Georgia in second quarter 2005. While none of the state's metropolitan areas saw year-over-year job growth in excess of the national average, five of the state's 14 metropolitan areas (**Augusta, Columbus, Dalton, Macon, and Warner Robins**) suffered outright job losses. Although remaining on par with the state average, **Atlanta** employment levels remain vulnerable to the ongoing troubles at its largest private employer, Delta Airlines.
- Aside from ancillary tornado damage across the state, recent hurricanes likely will have indirect implications leading to higher energy costs, supply and distribution disruptions, and the temporary or permanent absorption of residents dislocated by the storm.

Residential construction has played a critical role.

- Despite accounting for less than 5 percent of total employment, homebuilding has played an outsized role in Georgia's modest economic recovery. Between the end of 2001 and 2004, residential construction-related employment directly accounted for well over half, or 13,560 jobs, of the 18,460 total net gain in private employment.¹ Indirectly, the industry's importance has been further amplified by the ripple effect it has caused in other sectors of the economy.

¹Residential construction-related employment includes residential construction and specialty contractors; mortgage lenders and brokers; and residential real estate agents, property managers, and appraisers.

Chart 1: Georgia Job Growth Has Moderated

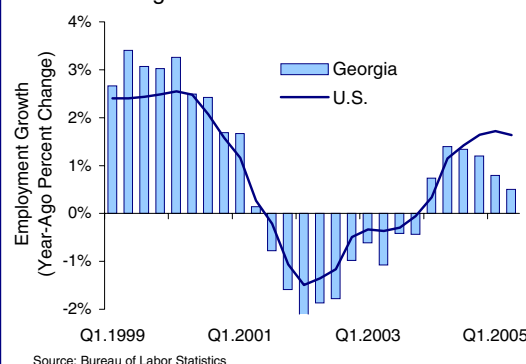


Chart 2: Employment in Georgia Remains Below Its Pre-Recession Peak

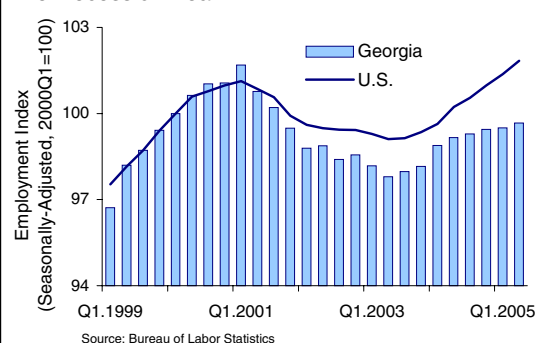
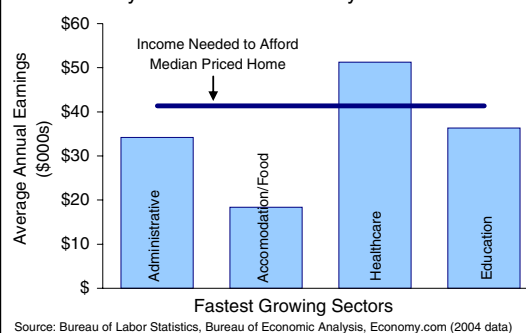


Chart 3: Low Incomes in Georgia's Fastest Growing Sectors May Constrain Affordability



- Georgia's housing sector continued to grow through the first half of 2005, with permit issuance reaching record levels. Home prices also appreciated, but at a rate less than half the national average. Nonetheless, affordability issues may persist as average earnings in some of the fastest job-producing sectors of the state's economy were below the level of income needed to purchase a median priced home on conventional terms (see Chart 3).
- According to the Office of Federal Housing Enterprise Oversight, home prices appreciated 6.1 percent for the 12 months ending June 30, 2005. Even modest appreciation may have disrupted the traditional relationship between prices and rents in Atlanta. Since 2001, rents have not only failed to keep pace with home price appreciation, but have declined (see Chart 4). Subsequently, it may become more difficult for residential real estate investors to charge rents that are high enough to cover monthly mortgage payments.

Small business performance measures vary.

- The net number of small businesses in Georgia grew nearly 5.5 percent in 2004.² The booming residential real estate market is influencing the growth of some small businesses. For example, landscaping and lawn service firms in the state, which have an average of seven employees, increased jobs by 6.7 percent in 2004, much higher than the 1.7 percent increase in overall private payroll jobs.
- Overall business lending at community banks in Georgia continues to grow after a brief decline in 2002.³ Small business loans grew 3.7 percent from a year ago matching the national growth rate for all commercial banks. However, the share of small business loans as a percentage of all business loans has trended downward for most of this decade (see Chart 5).

Community banks continue their solid performance.

- Overall, banking conditions at Georgia community banks were solid. Profitability was sound as return on assets gained 10 basis points over the 12-month period to 1.24 percent. Despite an increase in funding costs, net interest margins improved because of strong loan growth. After relatively flat performance the past few years, margins rose to 4.33 percent in second quarter 2005, up from 4.15 percent two years prior.

A shift in new deposit funding may lead to higher costs.

- Georgia community banks may experience higher funding costs as the mix of new deposits is shifting to higher cost

time deposits (see Chart 6). Depositors are moving into higher yielding products as the differential between holding money in lower yielding, but more liquid, transaction or money market deposit accounts has widened with the recent increase in short-term interest rates. The change in preference by depositors has contributed to the rise in the cost of deposits to 2.28 percent for the 12 months ending June 30, 2005, from 1.82 percent a year ago.

Chart 4: Atlanta Apartment Rents Have Not Kept Pace with Home Price Appreciation

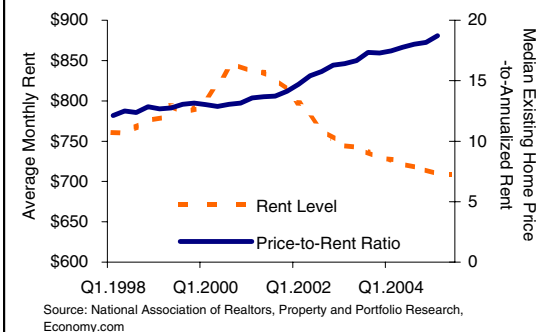


Chart 5: The Share of Small Business Loans Has Fallen at Georgia Community Banks

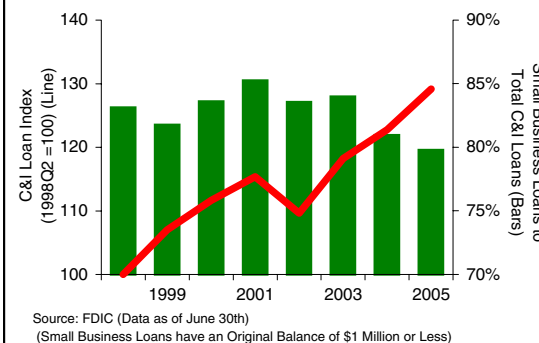
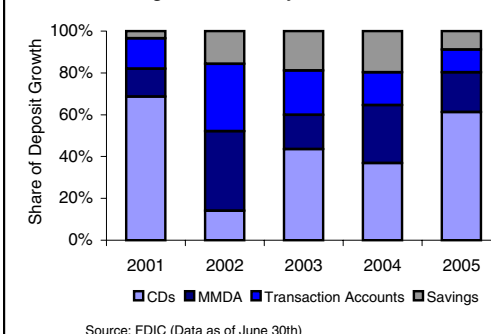


Chart 6: New Deposit Funding Mix May Lead to Higher Costs at Georgia Community Banks



²"Small Business Profile: Georgia," U.S. Small Business Administration, Office of Advocacy, 2004 and 2005.

³Community banks are insured commercial banks with assets of \$1 billion or less.

Georgia at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q2-05	Q1-05	Q2-04	2004	2003
Total Nonfarm (share of trailing four quarter employment in parentheses)	0.5%	0.8%	1.4%	1.2%	-0.6%
Manufacturing (11%)	-1.7%	-1.6%	-1.6%	-1.5%	-3.1%
Other (non-manufacturing) Goods-Producing (5%)	1.2%	0.1%	2.4%	1.4%	-0.4%
Private Service-Producing (67%)	0.6%	0.9%	2.0%	1.7%	-0.6%
Government (17%)	1.6%	2.3%	0.7%	0.9%	1.2%
Unemployment Rate (% of labor force)	5.1	5.0	4.6	4.6	4.7
Other Indicators	Q2-05	Q1-05	Q2-04	2004	2003
Personal Income	6.8%	6.7%	7.7%	5.9%	2.3%
Single-Family Home Permits	2.9%	0.6%	13.8%	8.7%	5.7%
Multifamily Building Permits	11.8%	-36.8%	37.6%	30.6%	-28.0%
Existing Home Sales	12.3%	14.2%	19.5%	24.0%	0.1%
Home Price Index	6.1%	5.9%	4.3%	5.0%	4.0%
Bankruptcy Filings per 1000 people (quarterly annualized level)	8.56	8.60	8.74	8.87	10.11

BANKING TRENDS

General Information	Q2-05	Q1-05	Q2-04	2004	2003
Institutions (#)	346	344	347	344	345
Total Assets (in millions)	260,173	226,185	220,811	224,673	214,077
New Institutions (# < 3 years)	36	34	37	38	34
Subchapter S Institutions	63	61	58	58	55
Asset Quality	Q2-05	Q1-05	Q2-04	2004	2003
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.36	1.46	1.46	1.47	1.72
ALLL/Total Loans (median %)	1.30	1.31	1.33	1.32	1.34
ALLL/Noncurrent Loans (median multiple)	2.39	2.22	2.30	2.21	2.07
Net Loan Losses / Total Loans (median %)	0.04	0.03	0.06	0.12	0.19
Capital / Earnings	Q2-05	Q1-05	Q2-04	2004	2003
Tier 1 Leverage (median %)	9.24	9.08	9.21	9.12	9.17
Return on Assets (median %)	1.20	1.11	1.13	1.09	1.03
Pretax Return on Assets (median %)	1.70	1.58	1.57	1.49	1.39
Net Interest Margin (median %)	4.40	4.30	4.27	4.28	4.23
Yield on Earning Assets (median %)	6.60	6.22	5.88	5.95	6.14
Cost of Funding Earning Assets (median %)	2.11	1.90	1.60	1.68	1.91
Provisions to Avg. Assets (median %)	0.22	0.21	0.24	0.25	0.25
Noninterest Income to Avg. Assets (median %)	0.74	0.73	0.77	0.75	0.80
Overhead to Avg. Assets (median %)	2.98	2.98	2.97	3.03	3.07
Liquidity / Sensitivity	Q2-05	Q1-05	Q2-04	2004	2003
Loans to Assets (median %)	73.8	73.3	73.1	72.9	71.8
Noncore Funding to Assets (median %)	25.1	24.0	23.3	23.9	21.7
Long-term Assets to Assets (median %, call filers)	7.1	7.6	9.6	8.4	9.8
Brokered Deposits (number of institutions)	179	162	136	153	116
Brokered Deposits to Assets (median % for those above)	7.8	7.5	6.2	7.0	5.7
Loan Concentrations (median % of Tier 1 Capital)	Q2-05	Q1-05	Q2-04	2004	2003
Commercial and Industrial	81.9	81.2	86.0	85.1	84.6
Commercial Real Estate	386.5	375.9	344.6	354.0	321.4
<i>Construction & Development</i>	121.7	113.1	102.2	107.8	80.3
<i>Multifamily Residential Real Estate</i>	5.1	5.5	5.1	5.4	4.2
<i>Nonresidential Real Estate</i>	204.7	203.2	205.4	200.2	197.3
Residential Real Estate	167.4	166.5	167.9	166.4	171.3
Consumer	42.6	45.3	51.2	48.0	55.8
Agriculture	11.1	11.4	11.6	11.1	11.2

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Atlanta-Sandy Springs-Marietta, GA	137	80,584	< \$250 million	254 (73.4%)
Chattanooga, TN-GA	27	6,310	\$250 million to \$1 billion	82 (23.7%)
Augusta-Richmond County, GA-SC	18	5,099	\$1 billion to \$10 billion	9 (2.6%)
Columbus, GA-AL	15	4,279	> \$10 billion	1 (0.3%)
Savannah, GA	20	4,027		